

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

		2009 R	2008 R
15	NON-CURRENT ASSETS HELD FOR SALE		
	Non-current assets held for sale at beginning of year - at book value	-	-
	Additions for the year	-	-
	Non-current assets sold/written off during the year	-	-
	Non-current assets held for sale at end of year - at book value	-	-
	Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 59	-	-
16	INVESTMENT PROPERTY		
	Net Carrying amount at 1 July	-	-
	Cost	-	-
	Accumulated Depreciation	-	-
	Transfer to Property, Plant and Equipment - Note 14	-	-
	Cost	-	-
	Accumulated Depreciation	-	-
	Acquisitions	-	-
	Depreciation for the year	-	-
	Net Carrying amount at 30 June	-	-
	Cost	-	-
	Accumulated Depreciation	-	-
	Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 59	-	-
17	INTANGIBLE ASSETS		
	Net Carrying amount at 1 July	-	-
	Change in Accounting Policy - Transfer from Property, Plant and Equipment	-	-
	Cost	-	-
	Accumulated Amortisation	-	-
	Acquisitions	-	-
	Amortisation	-	-
	Disposals	-	-
	Amortisation written back on disposal	-	-
	Net Carrying amount at 30 June	-	-
	Cost	-	-
	Accumulated Amortisation	-	-
	Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 59	-	-
18	INVESTMENTS		
	<u>Financial Instruments</u>		
	<u>Unlisted</u>		
	Long term deposits	-	-
	Total Investments	-	-
	No investments have been pledged as security for any funding facilities of the council.		
	Investments are made in terms of the municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.		

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
19 LONG TERM RECEIVABLES		
Staff Car Loans - At amortised cost	-	-
Less: Unamortised Discount on Loans	-	-
Balance 1 July		
Adjustment for the period		
Change in Accounting Policy - Note 42.2		
Less: Current portion transferred to current receivables	-	-
Staff Car Loans - At amortised cost	-	-
Less: Provision for Impairment of Long Term Receivables	-	-
Total Long Term Receivables	-	-
20 INVENTORY		
Housing-inventory held for transfer	1,055,550	1,071,000
Water - At purification cost	8,083	7,593
Total Inventory	1,063,633	1,078,593
Consumable stores materials written down due to losses as identified during the annual stores counts.	-	-
21 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	314,247	140,827
Water	5,075,468	3,446,727
Refuse	674,246	476,788
Sewerage	755,459	508,018
Recognition - Water debt	20,759	45,715
Recognition - Electricity debt	42,192	38,480
Recognition - Sewerage dept	2,544	4,275
Other Receivables	87,663	-
Total: Trade receivables from exchange transactions (before provision)	6,972,577	4,660,830
Provision for Impairments	(4,548,710)	(4,522,322)
Total: Trade receivables from exchange transactions (after provision)	2,423,867	138,508
The fair value of other receivables approximate their carrying value.		
(Electricity, Water and Sewerage): Ageing		
Current (0 - 30 days)	4,024	-
Previous	554,435	431,358
31 - 60 Days	268,195	186,149
61 - 90 Days	187,574	231,637
+ 90 Days	5,805,192	3,723,217
Total	6,819,419	4,572,361
Summary of Debtors by Customer Classification		
	Residential	Industrial/ Commercial
		Provincial Government
30 JUNE 2009		
Current (0 - 30 days)	4,024	-
Previous	466,571	63,577
31 - 60 Days	258,943	8,347
61 - 90 Days	178,558	8,837
+ 90 Days	5,721,787	82,338
Sub-total	6,630,083	143,100
Less: Provision for bad debts	(4,452,608)	(96,103)
Total debtors by customer classification	2,177,475	46,998
		46,236

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Summary of Debtors by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 JUNE 2008			
Current (0 - 30 days)			
31 - 60 Days			
61 - 90 Days			
+ 90 Days			
Sub-total	-	-	-
Less: Provision for bad debts			
Total debtors by customer classification	-	-	-

	2009 R	2008 R
<u>Reconciliation of Provision for Bad Debts</u>		
Balance at beginning of year	4,522,322	143,895
Contribution to provision	26,388	4,380,936
Bad Debts (written off)		(2,509)
Balance at end of year	4,548,710	4,522,322

The total amount of this provision is R 4,548,711 and consist of:

Rates	4,548,710	4,522,322
Other Debtors	-	-
Total Provision for Bad Debts on Trade Receivables from exchange transactions	4,548,710	4,522,322

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

22 **OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Taxes - Rates	2,332,566	1,967,186
Other Debtors	92,160	194,263
Irregular, Fruitless and Wasteful Expenditure - Receivables	32,917	
Suspense Accounts	65,582	
VAT		239,977
	2,523,225	2,401,426
Less: Provision for bad debts	(1,556,122)	(1,556,122)
Total Other Receivables from non-exchange transactions	967,103	845,304

The fair value of other receivables approximate their carrying value.

(Rates): Ageing

Current (0 - 30 days)	-	44
Previous	42,049	42,704
31 - 60 Days	22,852	23,568
61 - 90 Days	22,278	21,621
+ 90 Days	2,245,387	1,879,248
Total	2,332,566	1,967,185

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Summary of Debtors (Rates) by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 JUNE 2009			
Current (0 - 30 days)		-	
Previous	36,889	4,973	187
31 - 60 Days	22,063	602	187
61 - 90 Days	21,445	648	186
+ 90 Days	2,180,365	63,296	1,725
Sub-total	2,260,762	69,519	2,286
Less: Provision for bad debts	(1,509,899)	(46,423)	
Total debtors by customer classification	751,063	23,096	2,286

Summary of Debtors (Rates) by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 JUNE 2008			
Current (0 - 30 days)			
31 - 60 Days			
61 - 90 Days			
+ 90 Days			
Sub-total	-	-	-
Less: Provision for bad debts			
Total debtors by customer classification	-	-	-

Reconciliation of Provision for Bad Debts

	2009 R	2008 R
Balance at beginning of year	1,556,122	406,751
Contribution to provision	-	1,726,268
Bad Debts (written off)	-	(576,897)
Balance at end of year	1,556,122	1,556,122

The total amount of this provision is R 1,556,122 and consist of:

Taxes		
Other	1,556,122	1,556,122
Total Provision for Bad Debts on Trade Receivables from non-exchange transactions	1,556,122	1,556,122

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

23 OPERATING LEASE ARRANGEMENTS

23.1 The Municipality as Lessee

Leases not previously recognised - Note 42.6

Balance on 30 June	-	-
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KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:		
Up to 1 Year	-	-
1 to 5 Years	-	-
More than 5 Years	-	-
Total Operating Lease Arrangements	-	-
Reconciliation		
Amount previously recorded (Through change in accounting policy)	-	-
Change in accounting policy - Note 42.6	-	-
Movement during the year	-	-
Balance on 30 June	-	-
23.2 The Municipality as Lessor		
Leases not previously recognised - Note 42.6	-	-
Balance on 30 June	-	-
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	63,795	63,574
1 to 5 Years	114,678	178,472
More than 5 Years	-	-
Total Operating Lease Arrangements	178,472	242,046
Reconciliation		
Amount previously recorded (Through change in accounting policy)	-	-
Change in accounting policy - Note 42.6	-	-
Movement during the year	-	-
Balance on 30 June	-	-
24 CASH AND CASH EQUIVALENTS		
Assets		
Call Investments Deposits		
Watersupply Pofadder (007)	26,855	44,655
Municipal System Improvement Grant (007)	736,267	88,090
Leave Gratuity (007)	58,308	13,224
Library (007)	261,003	140,889
Housingfund (007)	12,048	12,048
Refuse Site (007)	41,764	41,764
LGSETA (007)	42,030	18,130
Other Deposits	200,000	-
NDFT Fencing of graveyards (007)	9,181	9,181
SKEP -Hikingtrail (007)	12,169	55,008
Build of 150 Houses (009)	-	-
Build of 30 Houses (013)	87,994	96,841
Municipal Infrastructure Grant (007)	286,257	1,946
Finance Management Grant (010)	977,511	240,312
Municipal Infrastructure Grant (L-Gov) 016	326,796	-
Primary Bank Account	-	-
Cash Floats	100	100
Total Cash and Cash Equivalents - Assets	3,078,285	762,188
Liabilities		
Primary Bank Account	555,619	768,756
Total Cash and Cash Equivalents - Liabilities	555,619	768,756
Call Investments Deposits to an amount of R 3,078,185 are held to fund the Unspent Conditional Grants (2008: R 762,088).		

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
The municipality has the following bank accounts:		
Current Accounts		
Standard Bank Limited – Pofadder Branch Account Number 04 185 0173	(555,619)	(768,756)
	(555,619)	(768,756)
Standard Bank Limited – Pofadder Branch Account Number 04 185 0173		
Cash book balance at beginning of year	(768,756)	(563,332)
Cash book balance at end of year	(555,619)	(768,756)
Bank statement balance at beginning of year	(601,556)	(434,653)
Bank statement balance at end of year	(503,637)	(601,556)
The Municipality has a bank overdraft facility of R700,000. R200,000 of the call account balance is pledged as security for the overdraft facility..		

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PROPERTY RATES

Actual

Rateable Land and Buildings

Residential / Commercial Property
Agricultural Purposes
State - National / Provincial Services

7,106,531	1,714,202
2,482,824	1,663,492
4,623,707	85,301
-	65,409

Less: Rebates

(5,641,416)

Total Assessment Rates

1,465,115

Valuations - 1 JULY 2008

Rateable Land and Buildings

Residential / Commercial Property
Agricultural Purposes
State - National / Provincial Services

355,326,530	254,075,430
203,805,630	73,369,100
142,581,000	177,149,330
8,939,900	3,557,000

Less: Income Forgone

(282,070,768)

Total Assessment Rates

73,255,762

The applicable rates that are applied to property valuations to determine assessment rates are as follows:-
Agricultural land - 0.0005 cents per rand, land and improvements -0.028 cents per rand. A discount of 20% was granted to the State

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GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	5,873,205	4,700,081
DWAF operating grants	541,103	650,676
DWAF capital grants	17,800	215,510
Black Mountain	3,500	-
Finance management grant	512,802	434,329
Library	144,059	80,273
NDM operating grant	250,000	297,732
NDM capital grant	33,168	-
MSIG	86,823	656,756
NER	-	230,000
Extention Library	10,826	-
MIG- Upgrading of sewerage	755,689	2,030,208
Water supply Pofadder (PIG)	-	270,976
EPWP	-	617,800
Dept. Health	-	132,650
Dept. Agriculture and Land Reforms	-	1,882,500
Siyanda District Municipality	-	30,000
NDFT	900	166,030
Department of Housing and Local Government	-	500,000
Department of Housing and Local Government: Housing	1,478,404	768,945
Sport Development grant	-	120,000
DBSA-Hiking trail	42,839	6,787
Other grants	16,388	10,000
Total Government Grants and Subsidies	9,767,504	13,802,153

The municipality does not expect any significant changes to the level of grants.

Unspent conditional Dora, specific grants are instructed by use to conditions contain in the grant business plan where the grants are unspent or not committed such funds will be reverred back to National Treasury.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive 6kl free water and 50kwh free electricity per month, which is funded from this grant.

	2009 R	2008 R
27 PUBLIC CONTRIBUTIONS AND DONATIONS		
Development Bank of South Africa	-	-
	<u>-</u>	<u>-</u>
28 CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT		
Land Affairs - Land	15,865,295	-
	<u>15,865,295</u>	<u>-</u>
29 CHANGES IN FAIR VALUE		
29.1 Transactions that gives an increase in surplus		
Fair value changes in Investment Properties		
Unamortised discount - Interest		
Total changes in fair value	<u>-</u>	<u>-</u>
29.2 Transactions that gives an decrease in surplus		
Unamortised discount - Interest		
Fair value changes in Investment Properties		
Total changes in fair value	<u>-</u>	<u>-</u>
30 OTHER REVENUE FROM NON-EXCHANGE TRANSACTIONS		
None		
	<u></u>	<u></u>
31 SERVICE CHARGES		
Electricity	2,336,453	1,872,593
Service Charges	2,519,440	1,872,593
Less: Rebates	(182,987)	
	<u>2,336,453</u>	<u>1,872,593</u>
Water	1,815,023	2,602,935
Service Charges	2,652,155	2,602,935
Less: Rebates	(837,132)	
	<u>1,815,023</u>	<u>2,602,935</u>
Refuse Removal	331,151	1,062,725
Service Charges	1,165,645	1,062,725
Less: Rebates	(834,494)	
	<u>331,151</u>	<u>1,062,725</u>
Sewerage and Sanitation Charges	502,888	1,136,360
Service Charges	1,322,965	1,136,360
Less: Rebates	(820,077)	
	<u>502,888</u>	<u>1,136,360</u>
Other Service Charges - Private Works	-	-
Total Service Charges	4,985,515	6,674,613
	<u>4,985,515</u>	<u>6,674,613</u>

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
32 OTHER INCOME		
Tariff Charges other	123,104	32,106
Commission- Electricity sales	-	8,367
Commission- Surcharges	-	3,799
Photostat copies	-	2,626
Sale of sand	-	20,964
Sundry income	-	95,000
Surplus cash	-	789
Sale of erven	6,800	4,007
Total Other Income	129,904	167,658
33 UNAMORTISED DISCOUNT - INTEREST		
Annuity Loans - Note 4	488,549	158,319
Total Unamortised Discount - Interest	488,549	158,319
34 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	3,016,720	3,237,207
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	668,336	638,363
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	472,528	385,459
Housing Benefits and Allowances	50,017	49,832
Overtime Payments	162,280	136,006
Bonuses	245,415	-
Provision for leave	528,116	100,000
Provision for leave	-	(96,139)
Contribution to provision - Post Retirement Medical - Note 8	(22,073)	(30,991)
	5,121,338	4,419,737
Less: Employee Costs allocated elsewhere	-	-
Total Employee Related Costs	5,121,338	4,419,737
KEY MANAGEMENT PERSONNEL		
Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Remuneration of the Municipal Manager		
Annual Remuneration	239,907	228,443
Performance Bonuses	-	-
Bonus	19,992	-
Car Allowance	116,060	114,537
Housing benefits and other allowances	33,760	32,000
Contributions to UIF, Medical and Pension Funds	71,287	68,372
Total	480,996	443,352
Remuneration of the Chief Finance Officer		
Annual Remuneration	183,619	169,547
Performance Bonuses	-	-
Bonus	15,302	-
Car Allowance	84,474	73,152
Housing benefits and other allowances	5,683	5,247
Contributions to UIF, Medical and Pension Funds	58,771	54,088
Total	347,849	302,034
Remuneration of Director : Community and Social Services		
Annual Remuneration	172,540	159,317
Performance Bonuses	-	-
Bonus	14,378	-
Car Allowance	64,775	55,966
Housing benefits and other allowances	16,899	-
Contributions to UIF, Medical and Pension Funds	1,497	1,473
Total	270,089	216,756

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
Remuneration of Director : Corporate and Support Services		
Annual Remuneration	180,894	159,317
Acting Remuneration	28,069	-
Performance Bonuses	-	-
Bonus	14,378	-
Car Allowance	81,524	70,323
Housing benefits and other allowances	16,899	15,604
Contributions to UIF, Medical and Pension Funds	1,497	1,473
Total	323,261	246,717
35 REMUNERATION OF COUNCILLORS		
Mayor	322,524	283,059
Councillors	550,990	504,468
Travelling Allowances	291,534	261,569
Cell Phone Allowances	81,195	72,900
Total Councillors' Remuneration	1,246,244	1,121,996
In-kind Benefits		
The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.		
36 DEBT IMPAIRMENT		
Trade Receivables from exchange transactions - Note 21	26,388	4,380,936
Long-term Receivables - Note 19	-	-
Other Receivables from non-exchange transactions - Note 22	-	1,726,268
Total Contribution to Bad Debts Provision	26,388	6,107,204
37 ITEMS OF PPE DERECOGNISED		
Property, Plant and Equipment	7,922,807	921,521
Inventory	15,450	-
	7,938,257	921,521
38 FINANCE CHARGES		
Long-term Liabilities	96,788	116,135
Employee Benefits	229,722	156,272
Overdraft Facilities	3,579	55,371
Total finance charges	330,089	327,778
39 BULK PURCHASES		
Electricity	1,541,260	1,129,099
Water	854,121	621,720
Total Bulk Purchases	2,395,380	1,750,819
40 GRANTS AND SUBSIDIES PAID		
Grants-in-aid and Donations	-	-
Institutions	-	-
Total Grants and Subsidies	-	-

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

		2009 R	2008 R
41	GENERAL EXPENSES		
	Advertisements	10,818	10,076
	Audit Fees	629,455	1,005,245
	Bank Charges	59,070	57,245
	Cleansing	5,542	6,149
	Commission - sale of electricity	34,746	24,615
	Electricity	392,367	309,572
	Fuel Vehicles	421,517	395,789
	Insurance	289,875	271,346
	Legal Fees	558,388	7,746
	Materials	59,214	61,644
	Membership Fees	29,895	23,202
	Postage and Telephone	255,764	264,408
	Printing and Stationary	74,729	79,454
	Travel Expenses	342,839	287,762
	Uniforms and Protective Clothing	12,268	9,640
	Other Projects	3,563,428	6,007,357
	Total General Expenses	6,739,916	8,821,251
42	CORRECTION OF ERROR IN TERMS OF GRAP 3		
42.1	Non-Current Provisions		1 July 2007
	Balance previously reported:		-
	Provision for rehabilitation of Landfill Site - GRAP 19		2,248,305
	Provision for Post Employment Health Care Benefits		1,909,751
	Total		4,158,056
42.2	Long-term Liabilities		
	Balance previously reported:		2,062,845
	Implementation of GRAP		(1,596,182)
	Unamortised Discount Not Previously Recognised - IFRS 7 - At Inception of Loan		(1,754,501)
	Movement for 2007/2008 Recognised in Statement of Financial Performance		158,319
	Total		466,663
42.3	Property, Plant and Equipment - GRAP 17		1 July 2007
	Balance previously reported		35,937,526
	Implementation of GRAP		
	Assets Identified for the first time		7,116,105
	Total		43,053,631
42.4	Accumulated Depreciation - GRAP 17		1 July 2007
	Balance previously reported		12,304,958
	Assets Identified for the First Time		168,465
	Backlog Depreciation: Land and Buildings		165,402
	Backlog Depreciation: Other		3,062
	Transfer to Accumulated Surplus/(Deficit) - Note 42.5		168,465

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

42.5	Accumulated Surplus/(Deficit)	Implementation of GRAP		
		Non-Current Provisions - Note 42.1	(4,158,056)	
		Long Term Liabilities - Note 42.2	1,754,501	
		Property, Plant and Equipment - Note 42.3	7,116,105	
		Backlog Depreciation - Note 42.4	(168,465)	
		Capitalisation Reserve - Note 42.6	797,526	
		Government Grant Reserve - Note 42.7	11,236,430	
		Donations and Public Contributions Reserve - Note 42.8	221,480	
		Total	16,799,521	
			1 July 2007	
			R	
42.6	Capitalisation Reserve	Balance previously reported	797,526	
		Implementation of GRAP		
		Transfer to Accumulated Surplus/(Deficit) - Note 42.5	(797,526)	
		Total	-	
			1 July 2007	
			R	
42.7	Government Grant Reserve	Balance previously reported	11,236,430	
		Implementation of GRAP		
		Transfer to Accumulated Surplus/(Deficit) - Note 42.5	(11,236,430)	
		Total	-	
			1 July 2007	
			R	
42.8	Donations and Public Contributions Reserve	Balance previously reported	221,480	
		Implementation of GRAP		
		Transfer to Accumulated Surplus/(Deficit) - Note 42.5	(221,480)	
		Total	-	
			1 July 2007	
			R	
			2009	2008
			R	R
42.9	Trade Receivables from Exchange Transactions	Impairment Balance previously reported		141,386
		Additional Provision for Impairment		4,380,936
		Restated Impairment Balance		4,522,322
42.10	Other Receivables from Non-Exchange Transactions	Impairment Balance previously reported		29,854
		Additional Provision for Impairment		1,526,268
		Restated Impairment Balance		1,556,122
43	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS	Surplus/(Deficit) for the year	6,740,987	(2,737,144)
		Adjustments for:		
		Depreciation and amortisation	1,680,466	1,450,503
		Impairments	7,922,807	921,521
		Contribution from/to provisions - Non-Current	480,200	311,968
		Contribution from/to provisions - Non-Current - Expenditure incurred	(82,824)	125,281
		Contribution from/to provisions - Non-Current - Actuarial losses	-	117,574
		Contribution from/to provisions - Non-Current - Actuarial gains	(126,371)	-
		Contribution to provisions - Bad debt	26,388	-
		Unamortised discount - Interest - Expenditure	488,549	158,319
		Investment income	(239,669)	(894,251)
		Interest paid	330,089	327,778
		Operating Surplus/(Deficit) before changes in working capital	17,220,622	(218,451)
		Changes in working capital	2,616,591	4,557,384
		Increase/(Decrease) in Trade and Other Payables	3,345,670	1,418,521
		Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	2,013,845	(257,024)
		Increase/(Decrease) in Taxes	(324,338)	-
		(Decrease)/Increase in housing development fund	-	(63,578)
		(Increase)/Decrease in Inventory	14,960	(490)
		(Increase)/Decrease in Trade Receivables from exchange transactions	(2,311,747)	2,479,078
		(Increase)/Decrease in Other Receivables from non-exchange transactions	(121,799)	980,877
		Cash generated/(absorbed) by operations	19,837,213	4,338,933

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009
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2008
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CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investments Deposits - Note 24	3,078,185	762,088
Cash Floats - Note 24	100	100
Bank - Note 24	-	-
Bank overdraft - Note 24	(555,619)	(768,756)
Total cash and cash equivalents	2,522,666	(6,568)

UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 4	1,497,084	2,004,029
Used to finance property, plant and equipment - at cost	(1,497,084)	(2,004,029)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

46.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	-	-
Unauthorised expenditure current year	15,799,896	880,000
Approved by Council or condoned	(15,799,896)	(880,000)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-

Incident	Disciplinary steps/criminal proceedings
A council resolution was passed on the 30 June 2008 to utilise R880,000 of the municipal infrastructure grant funds for operating expenditure. The funds were invested again on 27 July 2008.	Approved by Council
A council resolution was passed on the date to utilise R1 700 000 of the municipal infrastructure grant funds for operating expenditure. The funds have not been invested again.	Approved by Council
Over expenditure of approved budget for the current financial year - R14 099 896	Approved at special meeting held on the 24th of November 2009.

46.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	-	-
Fruitless and wasteful expenditure current year	5,544	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	5,544	-

Incident	Disciplinary steps/criminal proceedings
Interest paid to Supplier: Eskom - R4 139	To be investigated
Additional payment to MD Paavo - R1 405	Approved by council on 24 November 2009

46.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	515,866	14,274
Irregular expenditure current year	15,228,729	501,592
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	15,744,595	515,866

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Incident	Disciplinary steps/criminal proceedings
Theft of NATIS Funds - SAPS case number VB280/06/2008 - R14 505	Disciplinary hearing date not yet determined
Theft of Deposit - SAPS case number MAS 157/02/08 - R3 370	SAPD busy with the investigation
Theft of Electricity Pre-paid Funds - SAPS case number MAS 57/02/2009-MAS 84/8 - R29 547	SAPD busy with the investigation
No tender agreement for erecting of 15-metre-high mast lighting of R468 444	To be investigated
Theft of Electricity Pre-paid Funds - R41 910	Disciplinary hearing date not yet determined
Non-compliance with Supply Chain Management Regulations	
- Three quotations not obtained - R58 907	To be investigated
- Tender approved in contravention with SCMP - R15 037 063	To be investigated
- No declaration of interest by suppliers - R16 - 654	To be investigated
Salary increases of section 57 employees not approved by council	
- P J Baker - R13 223	To be investigated
- N Jano - R13 223	To be investigated
Bonuses paid to section 57 employees without performance evaluations performed	
- P J Baker - R14 378	To be investigated
- N Jano - R14 378	To be investigated
- LD Beukes - R19 992	To be investigated

	2009 R	2008 R
47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
47.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
Opening balance	-	-
Council subscriptions	24,180	
Amount paid - current year	(24,180)	
Amount paid - previous years		
Balance unpaid (included in creditors)	-	-
47.2 Audit fees - [MFMA 125 (1)(b)]		
Opening balance	911,243	175,000
Current year audit fee	717,579	736,243
External Audit - Auditor-General	717,579	736,243
Internal Audit	-	-
Audit Committee	-	-
Amount paid - current year	(278,972)	-
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	1,348,850	911,243
47.3 VAT - [MFMA 125 (1)(b)]		
Opening balance	-	-
Amounts received - current year		
Amounts claimed - current year (payable)		
Amount paid - current year		
Amount paid - previous year		
Closing balance	-	-
47.4 PAYE and UIF - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions	719,797	715,832
Amount paid - current year	(719,797)	(715,832)
Balance unpaid (included in creditors)	-	-
47.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	1,054,477	1,037,011
Amount paid - current year	(1,054,477)	(1,037,011)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-
47.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]		

The following Councillors had arrear accounts for more than 90 days as at 30 JUNE 2009:

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

The following Councillors had arrear accounts for more than 90 days as at:

30th June 2008	Total	Outstanding less than 90 days	Outstanding more than 90 days
Councillor M. Groenewaldt	4,620	1,427	3,193

The following Councillors had arrear accounts outstanding for more than 90 days during the year:

30th June 2009	Total	Outstanding less than 90 days	Outstanding more than 90 days
Councillor M. Groenewaldt	7,515	1,114	6,401
Councillor S.S. Brandt	3,678	1,487	2,191
Councillor F.X.J. van Rooyen	821	821	-
Councillor J.J. Swartbooi	1,519	1,412	107
	Highest Amount Outstanding	Ageing	
Councillor M. Bruinjies	6,401	90 days +	

47.7 **Non-compliance with Chapter 14 of the Municipal Finance Management Act**

Non-compliance to the Supply Chain Management Regulations were identified on the following categories:

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Inventory	-	-	-	-
Insurance	-	-	-	-
Other - Housing	-	-	1,356,653	13,650,715
Executive & Council	-	-	-	-
Corporate Services	-	-	-	-
Community Services	-	-	-	-
Financial Services	-	-	-	-
Technical Services	-	-	-	-
Electrical Services	-	-	-	-
Town Planning	-	-	-	-
Strategic Services	-	-	-	-
	-	-	1,356,653	13,650,715
			2009 R	2008 R

47.8 **Material losses - [MFMA 126 (2)(d)]**

The following material distribution losses incurred during the year:

Water (%)	14.00	12.50
Water (Rand Value)	368,977	292,486
Electricity (%)	16.30	14.73
Electricity (Rand Value)	474,236	326,675

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CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:	-	-
Infrastructure	-	-
Community	-	-
Other	-	-
Approved but not yet contracted for:	-	-
Infrastructure	-	-
Community	-	-
Other	-	-
Total	-	-
This expenditure will be financed from:		
External Loans	-	-
Government Grants	-	-
Own Resources	-	-
District Council Grants	-	-
	-	-

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
49	RETIREMENT BENEFIT INFORMATION	
	Council employees contribute to the Cape Joint Municipal Pension Fund, SALGA and SAMWU National Provident Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs. Full actuarial valuations are performed at least every five years. The last valuations was done on 30 June 2008.	
50	FINANCIAL RISK MANAGEMENT	
	The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.	
	(a) Foreign Exchange Currency Risk	
	The municipality does not engage in foreign currency transactions.	
	(b) Interest Rate Risk	
	The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.	
	This risk is managed on an ongoing basis.	
	(c) Credit Risk	
	Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.	
	Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.	
	For banks and financial institutions, only independently rated parties with a minimum rating of 'B+' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non-payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.	
	(d) Liquidity Risk	
	Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.	
	Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.	
	The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.	
	(e) Other Risks	
	Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.	
	The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the CFO and authorised by the Municipal Council.	
	Consumer debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.	